



**THE CATHOLIC HEALTH ASSOCIATION
OF THE UNITED STATES**

PRESERVING & STRENGTHENING MEDICAID

**TESTIMONY FOR THE RECORD SUBMITTED BY
REV. MICHAEL D. PLACE, STD
PRESIDENT AND CHIEF EXECUTIVE OFFICER
CATHOLIC HEALTH ASSOCIATION
OF THE UNITED STATES**

**SUBMITTED TO THE
HOUSE COMMITTEE ON ENERGY AND COMMERCE**

MARCH 12, 2003

For more information, please contact Michael Rodgers, Vice President, Public Policy and Advocacy (mrodgers@chausa.org) at 202-296-3993. If you are a

member of the press and would like further comment, please contact Fred Caesar, Senior Director, Public Affairs (fcaesar@chausa.org) at 202-296-3993.

As the House Committee on Energy and Commerce convenes to explore proposed changes to the Medicaid program, the Catholic Health Association of the United States (CHA) is pleased to provide this statement for the record. CHA is the national leadership organization representing the Catholic health care ministry. With over 2,000 members, CHA is the nation's largest group of not-for-profit health care sponsors, systems, facilities, health plans, and related organizations. CHA's members provide care to one in every six Americans, either in an acute care or long-term care setting, in communities across the country. We have been caring for the nation's poor and disenfranchised for over 275 years and remain committed to accessible and affordable health care for all. Medicaid is the premiere safety net program in the country, and we must take great care in making sure that as we strive to make improvements in the program, we do not unravel our nation's already fragile safety net.

Medicaid currently provides health coverage for some 47 million Americans—24 million children, 11 million adults in low-income families, and over 13 million elderly and disabled. The annual cost to federal and state governments is now estimated at \$250 billion. This program is particularly important in providing care for low-income families and individuals, who have no where else to turn when looking for access to health coverage. In the past decade Medicaid has provided health care to millions of low-income Americans, particularly children, who otherwise would have been uninsured. While children and their parents make up 73 percent of Medicaid beneficiaries, *they constitute only one quarter of its spending*, with the rest going towards care of the elderly and disabled. Medicaid is also a primary source of funding for America's safety net institutions, including many Catholic hospitals, which serve a disproportionate share of the low-income uninsured and underinsured individuals in their communities every day. These individuals come to our nation's emergency rooms with nowhere else to turn for care and rely on us to make sure that their health care needs are addressed.

Medicaid has proven to be a stable and adaptable framework for providing health care. After nearly 40 years in existence, Medicaid has changed and grown, offering an infrastructure flexible enough to face the new challenges in health care today. Medicaid works with diverse clients and providers and has adapted to changes in the health care market such as the advent of managed care. For example, according to the Kaiser Family Foundation, more than half of all beneficiaries and the bulk of children covered receive care under managed care arrangements. Medicaid's administrative costs account for less than five percent of total costs. Medicaid has demonstrated its ability to be a highly effective and efficient joint federal-state program that has been able to adapt to a changing constituency group. Medicaid programs across the country have been and continue to be "laboratories for innovation." However, we still have much to learn.

With millions of Americans depending on Medicaid and the State Children's Health Insurance Program (SCHIP) for health insurance, states are feeling the fiscal burden of providing care for our nation's most vulnerable. Medicaid expenditures comprise as much as 20 percent of many state budgets. As a result, it is a frequent target for cuts during trying economic times. Strong economic growth during the 1990s allowed states to bolster and strengthen their programs. Now many are considering limiting, or in fact, already have limited eligibility, reduced benefits and provider reimbursements, or increased cost sharing in order to balance their budgets. Yet cutting Medicaid spending is not really a means of containing health care costs – it simply shifts the costs to other parts of the health care system and to individuals who are least able to afford it.

In recent years federal and state policy makers have attempted to contain Medicaid's spending growth and provide greater flexibility to states in coordinating health programs. In 2001, Health and Human Services Secretary

Tommy Thompson proposed the Health Insurance Flexibility and Accountability Initiative (HIFA Waivers) to give states more flexibility to coordinate their Medicaid programs. This initiative is intended to expand access to health care coverage by giving states more flexibility in designing their benefit packages, coordinating Medicaid and SCHIP with private-sector insurance programs, and creating incentives for streamlining administration and application procedures. The Catholic health ministry remains concerned that under the waiver initiative a state could scale back Medicaid benefits and/or increase cost sharing without any appreciable benefit to the uninsured. For example, a recently approved HIFA waiver in the state of Utah provides primary care coverage to adults who do not qualify for Medicaid (incomes range between 0 - 150% of poverty; some are currently covered under a state-funded medical assistance program). This expansion population would receive limited basic health services, with an emphasis on preventive care. Benefits are limited to routine physician services and pharmacy coverage. This waiver provides no coverage for hospital (other than emergency) care, specialty care, mental health or substance abuse services to this population.

CHA acknowledges the tremendous fiscal challenge this program presents for federal and state government in light of the current economic downturn. However, as a society, we must remain committed to providing accessible and affordable health care for all, particularly the most vulnerable among us. The fundamental structure of the Medicaid program – as an entitlement for low-income families, the elderly, and the disabled in our country must be preserved and strengthened. Today Medicaid provides the safety net not only for its beneficiaries but for the states as well through the program's commitment to matching federal funds. That commitment must continue and the federal partnership with the states must be strengthened.

While the Catholic health ministry continues to advocate the retention of the Medicaid program as an entitlement with a strong federal presence and the overall expansion of the program to include more low-income persons and their families, CHA also would support a dialogue around innovative approaches that seek to achieve more effective and efficient mechanisms of providing care within the overall entitlement structure. In addition, CHA calls on Congress to move immediately to temporarily increase the Federal Medicaid Assistance Percentage (FMAP) to prevent any further erosion of the current program. Our societal commitment to provide access to health care must be preserved. The issues of benefit structure, cost sharing, eligibility, and access must be safeguarded. CHA will work to build on the bipartisan spirit that was fostered during our discussions regarding the inception of the very successful SCHIP program in 1997 and seek federal protections for coverage for low-income children, pregnant woman, legal immigrants and parents of SCHIP eligible children under these programs.

We encourage discussions of a more rational approach to long-term care financing and, in particular, to more efficient and effective ways to deliver services to persons dually eligible for benefits under Medicare and Medicaid. CHA also will seek opportunities to strengthen Medicaid by ensuring adequate funding to stabilize access to quality health care for these very worthy populations.

In order to assure continued access to services - however the program is structured - attention must be paid to Medicaid payment rates for all providers. When Medicaid payment rates fail to keep pace with the cost of providing care, access to care for Medicaid beneficiaries is impacted. Provider reimbursement under Medicaid must be sufficient to foster access to care and avoid the creation of a two-tiered system of care for the poor and vulnerable in

our society. Medicaid must continue to offer adequate protections for those who would otherwise be left with nowhere else to turn.

Medicaid represents a measure of how we, as a just society and the wealthiest nation in the world, treat the poorest and most vulnerable among us. In the absence of accessible and affordable health care for all, Medicaid is the critical and important link in our nation's safety net. CHA urges Congress at this critical juncture to make decisions that will preserve and strengthen this joint federal-state program.